

Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 NEA-07 EB-04 INR-05 NSC-05

CIAE-00 SP-02 /046 W

-----086689 020947Z /10 S

R 020918Z MAR 78

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 8011

INFO AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY PARIS

AMEMBASSY TRIPOLI

AMEMBASSY LONDON

C O N F I D E N T I A L SECTION 1 OF 2 VALLETTA 00420

LIMDIS

E.O. 11652: GDS

TAGS: PEPR, LY, MT

SUBJECT: REPORTED LIBYAN PRESSURES ON MALTA

REF: (A) BONN 3518, (B) TRIPOLI 0317, (C) ROME 3062,

- (D) ROME 3615

1. SUMMARY. IN TRYING TO DETERMINE QUADHAFI'S PURPOSES OR INTENTIONS BEHIND REPORTS OF LIBYAN OIL CUTOFF TO MALTA, WE HAVE THE SAME DIFFICULTY AS THAT DESCRIBED BY EMBASSY TRIPOLI IN REF B: WE FRANKLY DON'T HAVE ALL THE FACTS. WE DON'T KNOW FOR SURE IF QADHAFI HAS SAID NO MORE OIL OF ANY KIND, OR NO MORE OIL AT CONCESSIONAL PRICES, OR INDEED, WHATEVER HE SAID, WHETHER HIS ACTION IS PERMANENT OR TEMPORARY. WE ARE CONTINUING TO TRY TO GET AT THE FACTS. SO FAR THERE HAS BEEN NO PUBLIC DISCLOSURE OF ANY LIBYAN ACTION. WE HAVE, HOWEVER, SEEN SOME EVIDENCE IN MINTOFF'S RECENT PUBLIC AND PRIVATE BEHAVIOR THAT EVENTS OR ACTIONS OF SOME KIND HAVE GIVEN MINTOFF CAUSE FOR CONCERN ABOUT
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HIS LIBYAN RELATIONSHIP. END SUMMARY.

2. WE HAVE ASSUMED FOR SOME TIME THAT THE BULK OF MALTA'S PETROLEUM REQUIREMENTS HAVE BEEN MET THROUGH DELIVERERIES OF LIBYAN CRUDE, PURCHASED AT CONCESSIONAL RATES, AND PROCESSED IN REFINERIES IN SICILY. THE REFINED PRODUCTS HAVE THEN BEEN SOLD AT A HIGHER PRICE TO CONSUMERS IN

MALTA, WITH THE GOM COLLECTING THE DIFFERENCE AS REVENUS.
GOM BUDGET DOCUMENTS RELECT A PROFIT OF 4 - 6 MILLION
MALTESE POUNDS (OR ABOUT 5 PCT OF GOVERNMENT REVENUE) FROM
THE SALE OF THESE PRODUCTS.

3. WE HAVE ALSO UNDERSTOOD FOR SOME TIME THAT LIBYA HAS
BEEN ANNOYED WITH THE GOM OVER THIS PROCEDURE, BECAUSE IT
DENIES TO THE MALTESE CONSUMER THE BENEFITS OF LIBYAN
CONCESSIONAL RATES.

4. WE NOW UNDERSTAND, HOWEVER, THAT THE MALTESE HAVE IN
FACT BEEN BUYING REFINED-END PRODUCT PETROLEUM ON A SPOT
PURCHASE BASIS FOR THE PAST YEAR OR SO FROM SOURCES WHICH
OFFER THE MOST FAVORABLE PRICE. WE DO NOT KNOW TO WHAT
DEGREE THIS HAS AFFECTED THE PREVIOUS MALTESE-LIBYAN
ARRANGEMENT, IF AT ALL. IT IS POSSIBLE THAT THE MALTESE
MAY HAVE CONTINUED TO OBTAIN LIBYAN CRUDE AT CONCESSIONAL
RATES BUT THEN HAVE TURNED AROUND AND SOLD IT ON THE
INTERNATIONAL MARKET, POCKETING THE DIFFERENCE AND BUYING
PETROLEUM PRODUCTS ON A SPOT PURCHASE BASIS WHEREVER THIS
COULD BE DONE TO THEIR ADVANTAGE.

5. IN ANY EVENT THE MALTESE DO NOT FOR THE MOMENT APPEAR
TO BE HURTING IN TERMS OF MOST PETROLEUM PRODUCTS. WE ARE
TOLD THE SUPPLY SITUATION WAS TIGHT FOR SOME PRODUCTS
ABOUT A MONTH AGO, BUT THAT THIS HAS SINCE BEEN RELIEVED
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BY TRANSFERS FROM UK SOURCES. WE GET NO IMPRESSION
CURRENTLY FROM THE BEHAVIOR OF THE MALTESE OR FROM WHAT
WE SEE OF THE PETROLEUM MARKET LOCALLY OF ANY SUPPLY EMERGENCY.

6. WHAT IS INVOLVED THEREFORE IS PRESUMABLY NOT A
SITUATION WHERE A LIBYAN CUTOFF MAY BE CAUSING A SERIOUS
PHYSICAL SUPPLY PROBLEM. MALTA CAN GET OIL AND IS DOING
SO. WHAT IS INVOLVED, IF THE LIBYANS HAVE IN FACT STOPPED
CONCESSIONAL SALES AND IF THIS ACTION IS CONTINUED, COULD
BE A PROBLEM OF DIMINISHED REVENUE. THIS COMES AT A TIME
WHEN THE GOM IS ALREADY CONCERNED ABOUT REVENUE REPLACE-
MENT FOR THE BRITISH BASE RENTAL WHICH TERMINATES IN
MARCH 1979.

7. THAT IS THE LEVERAGE THAT QADHAFI COULD EXERCISE, OR
MAY HAVE EXERCISED. IN THIS CONNECTION WE HAVE HEARD

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AMEMBASSY ROME
AMEMBASSY PARIS
AMEMBASSY TRIPOLI
AMEMBASSY LONDON

C O N F I D E N T I A L SECTION 2 OF 2 VALLETTA 00420

LIMDIS

RUMORS OF A RECENT SECRET TRIP TO SAUDI ARABIA BY DEPUTY
PRIME MINISTER CASSAR, POSSIBLY RELATED TO EFFORTS TO
OBTAIN PREFERENTIAL CRUDE PURCHASE ARRANGEMENTS THERE.
MINTOFF HAS SCHEDULED A TRIP TO KUWAIT MARCH 21-23 AND
THIS MAY ALSO INVOLVE EFFORTS TO ENSURE CONTINUED FAVORABLE
PRICE ACCESS TO CRUDE, ALTHOUGH WE HAVE NO REASON TO THINK
THAT EITHER COUNTRY WOULD ENGAGE IN THIS KIND OF CONCES-
SIONARY ARRANGEMENTS FOR MALTA.

8. ASSUMING THAT QADHAFI HAS IN FACT, EITHER TEMPORARILY
OR PERMANENTLY CUT OFF THE SUPPLY OF CONCESSIONAL CRUDE
IN MALTA, HIS PURPOSE COULD BE THAT DESCRIBED BY DA-RIN IN
REF C: I.E. AND EXERCISE IN CRUDE PRESSURE TACTICS ON
MINTOFF TO FORCE HIM TO ALIGN HIMSELF COMPLETELY WITH THE
LIBYANS. (IN THIS CONNECTION WE ARE NOT OURSELVES AWARE
OF ANY RECENT OR NEWLY PRESSED PROPOSAL FROM THE LIBYANS
FOR A FEDERATION BETWEEN LIBYA AND MALTA OF THE KIND
DESCRIBED BY THE ITALIANS IN REF D.) ON THE OTHER HAND,
QADHAFI'S ACTION COULD ALSO BE SIMPLY A PRODUCT OF THE
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LONG-STANDING LIBYAN IRRITATION OVER THE GOM'S PROFIT
MAKING ON CRUDE AT THE THE MALTESE CONSUMER'S EXPENSE AND THUS
A DECISION BY THE LIBYANS TO END THEAT ARRANGEMENT. IF IN
DOING SO THE MALTESE WERE TO BE REMINDED OF THE EXTENT TO
WHICH THEY MIGHT BENEFIT FROM PROMPT ACTION TO ALIGN

THEMSELVES MORE CLOSELY WITH LIBYA AND PLAY DOWN THE EUROPEAN CONNECTION, SO MUCH THE BETTER IN TERMS OF LIBYAN INTERESTS HERE.

9. WHATEVER THE DEGREE OF QADHAFI'S ACTION AND WHATEVER ITS PURPOSES, WE HAVE SENSED FOR SOME TIME, BOTH FROM EVIDENCE OF A MORE MODERATE MINTOFF PUBLIC STANCE CONCERNING HIS EFFORTS TO FURTHER HIS NEUTRALITY CONCEPT AND FROM SCATTERED REPORTS OF MINTOFF'S COMMENTS PRIVATELY ABOUT LIBYA, AN INCREASED CONCERN ABOUT HIS PROBLEMS IN DEALING WITH QADHAFI. A CASE IN POINT IS WHAT UK HIGH COMMISSIONER ASPIN HAS TOLD US ABOUT A CONFERENCE WITH MINTOFF THIS WEEK CONCERNING A BRITISH PHASE-OUT. ASPIN AND HIS COLLEAGUES CAME AWAY WITH A STRONG IMPRESSION OF A MAN VERY MUCH CONCERNED ABOUT LIBYA AND INCREASINGLY TROUBLED ABOUT THE ABSENCE AFTER MARCH, 1979 OF MALTESE DEFENSE ARRANGEMENTS OF ANY KIND. LAINGEN

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